



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



COMPTROLLER

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
UNDER SECRETARY OF DEFENSE (PERSONNEL AND
READINESS)
UNDER SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Department of Defense Implementation Strategy for Auditable Financial Statements

On May 26, 1998, the President directed that the Office of Management and Budget (OMB) monitor agencies' progress towards the goal of obtaining an unqualified audit opinion on the consolidated Federal Government financial statements. In his memorandum to the heads of executive Departments and Agencies, the President also directed the development of implementation plans and the submission of periodic progress reports to the OMB. The OMB and the General Accounting Office have identified the major issues that the Department must address as part of the larger effort to achieve the President's goal.

Ten approved implementation strategies were forwarded to the DoD Components on October 6, 1998, and November 19, 1998 (attachment 1). Now that these strategies have been approved, we must execute and monitor actions necessary to implement the required improvements.

In order to meet OMB reporting requirements, and to monitor the Department's progress, monthly status reports to this office are required. Striking a balance between satisfying the OMB reporting requirements and minimizing the burden on the Department is not an easy task. While it is my intention to require that only essential information be provided, it is imperative that this information be in sufficient detail to allow internal and external monitoring of the Department's progress on the implementation strategies. To accomplish this, I have not asked for lengthy narrative reports but, instead, developed a table format for periodic progress reporting. This effort will not be a "reporting for reporting sake" exercise: these reports will be used as viable management tools to make implementation strategy adjustments, if necessary, to obtain an unqualified audit opinion on our financial statements.

Attachment 2 identifies the milestones for your Component for each strategy, as well as the official responsible for the accomplishment of the milestone. Some milestones may require more detailed information than other milestones to allow us to monitor the Department's progress on the implementation strategy. Attachment 3 identifies for your Component those milestones which, from milestone start date to milestone end date, span more than 60 days, and

for which more detailed task level implementation plans are required. Each of the milestones listed at attachment 3 must be subdivided into specific discrete tasks that require no more than 60 days to complete. The plans must identify objectively measurable products for each task. A standard format for identifying tasks, and reporting the status of such tasks outputs is provided at attachment 4. Specific instructions for incorporating the applicable task information into the milestone plan are at attachment 5.

Each Component must provide to this office, via e-mail, an updated version of the milestone plan as shown in attachment 2. Please note that the status column for each milestone must be updated as to the latest status of such milestone using the standard status codes shown on the footnotes in attachment 2. Status reporting for each milestone and task is to begin with a report covering the period ending December 1998, and is due by January 15, 1999. Thereafter, status reports are due to this office by the 15th of each month, and must be current as of the end of the previous month.

I am confident that these status reports will allow us to satisfy our reporting requirements to the OMB. More importantly, they will provide us with the means to effectively monitor our implementation strategy and make such adjustments, if any, as may be needed to achieve an unqualified audit opinion on our financial statements.

Also, I plan to use the Financial Management Steering Committee meetings as a forum for monitoring the status of these efforts. I intend to include selected action items on the agenda and invite the responsible officials, including nonfinancial representatives when appropriate, to provide progress reports.

For your convenience, an electronic version of each of the attachments will be provided to your office. Accordingly, I request that you provide an e-mail address to which my staff point of contact, Mr. Chuck Crichley, should forward the electronic copy. Mr. Crichley may be reached by e-mail: crichlec@osd.pentagon.mil or by telephone at (703) 693-6505.

A handwritten signature in black ink, appearing to read "Alice Maroni", with a stylized flourish at the end.

Alice C. Maroni
Principal Deputy Under Secretary
of Defense (Comptroller)



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



NOV 19 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
UNDER SECRETARY OF DEFENSE (PERSONNEL AND
READINESS)
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
UNDER SECRETARIES OF THE MILITARY DEPARTMENTS

SUBJECT: Department of Defense Implementation Strategy for Auditable Financial Statements

On November 10, 1998, the Department provided the Office Management and Budget (OMB), the General Accounting Office and the Office of the Inspector General. Department of Defense finalized copies of four more implementation strategy issue papers for achieving unqualified opinions on the Department's financial statements. Four strategy papers (Attachment 1) have been approved, and now, we must implement these strategies. Accordingly, please begin implementing the actions for which your organization is responsible.

To date, ten implementation strategy issue papers have been approved. Copies of the initial six issue papers that were approved on October 6, 1998, are at attachment 2. The remaining three issue papers of the Department's proposed "first round" implementation strategy remain unresolved. Efforts continue to address these remaining issues.

As you are aware, the OMB has directed each federal agency to provide periodic reports on the status of its actions. To monitor the Department's progress, as well as to meet the OMB reporting requirement, periodic status reports will be required on all of the approved strategy papers. It is my intention to keep the workload associated with the reporting requirements to a minimum. Specific reporting requirements are being provided separately.

My staff contact on this matter is Ms. Brenda Goodridge. She may be reached by e-mail: goodridb@osd.pentagon.mil or by telephone at (703) 697-3192.

Alice C. Maroni
Principal Deputy Under Secretary
of Defense (Comptroller)

Attachments

cc: OMB
GAO
IG, DOD

A.1.
GENERAL PROPERTY, PLANT AND EQUIPMENT
EXISTENCE & COMPLETENESS

(Excludes Property in the Hands of Contractors)

Proposed Department of Defense Actions

- The Department proposes to require that, when military units conduct periodic inventories of property, plant and equipment (PP&E) throughout the year, a step will be mandated that requires verification of the property accountability records and/or systems to ensure that all property, plant and equipment is properly recorded.
- The Under Secretary of Defense (Acquisition and Technology) will issue a memorandum emphasizing the need for (1) complying with existing policies relative to PP&E accountability and (2) ensuring that property records are up-to-date and accurate.
- The Under Secretary of Defense (Acquisition and Technology) will direct the DoD Components to reconcile the data fields of their installation-level PP&E data bases with their headquarters and/or centralized data bases to ensure consistency, completeness and reliability of data.
- The Under Secretary of Defense (Acquisition and Technology) will review PP&E data base reconciliation requirements to ensure that they include a requirement to reconcile installation, headquarters and centralized data bases, at least semi-annually, including year-end; as well as make appropriate adjustments.
- The Military Departments will ensure that reconciliations among installation, headquarters and centralized data bases, are conducted at least semi-annually, including year-end; as well as make appropriate adjustments.
- The DoD Components will ensure that they have procedures in place to remove the costs of completed PP&E from construction-in-progress accounts, and that General PP&E costs are capitalized and depreciated, as appropriate.
- The DoD Components will ensure that all PP&E that meets the criteria for capital leases, as described in SFFAS No. 6, properly are recorded and reported.

Proposed Milestones and Responsible Officials

1. November 1998: USD(A&T) to issue a memorandum to the Military Departments and Defense Agencies requiring that when inventories of military equipment and other property, plant and equipment are conducted, such inspections and inventories include a requirement to validate the existence and completeness of property accountability records and systems. The methodology to validate the existence of General PP&E will include a test of assets to the supporting records. Additionally, the methodology to validate completeness of General PP&E will include a test of the supporting records to the assets on hand.
2. November 1998: USD(A&T) to issue a memorandum to the Military Departments and Defense Agencies emphasizing the need for complying with existing policies for PP&E accountability and for ensuring that property records are up-to-date and accurate.
3. November 1998: USD(A&T) to issue a memorandum requiring the DoD Components to reconcile the data fields of their installation-level PP&E data bases with their headquarters and centralized data bases to ensure consistency, completeness and reliability of data.
4. November 1998 .April 1999: USD(A&T) to issue property accountability regulations.
5. November 1998 .January 1999: USD(A&T) to review PP&E data base reconciliation requirements currently in place to ensure that they are appropriate, adhered to and include periodic and fiscal year-end reconciliations between installation and headquarters and centralized data bases and to update such requirements as necessary.
6. November 1998 .September 1999: Under Secretaries of the Military Departments and Directors of Defense Agencies to ensure that periodic and fiscal year-end reconciliations between subsidiary installation and headquarters and centralized data bases are conducted periodically and at year-end.
7. November 1998 .January 1999: Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate actions to ensure that procedures are in place to remove the costs of completed PP&E from construction-in-progress accounts, and that such PP&E costs are capitalized and depreciated, as appropriate.
8. November 1998 .January 1999: Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate actions to ensure that all PP&E that meets the criteria for capital leases, as described in SFFAS No. 6, properly are recorded and reported.
9. November 1998 .September 1999: Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate actions to ensure the accuracy of data in their property accountability systems.

A.3.
PROPERTY, PLANT AND EQUIPMENT
GOVERNMENT PROPERTY IN THE HANDS OF CONTRACTORS

Proposed Department of Defense Actions

The Department will:

- Continue to require contractors to report government property in their possession on a fiscal year basis.
- Ensure that contractors that have or had government property in their possession during the reporting period submit a property report for each contract under which the government property is or was accountable.
- The Department will value property purchased or produced by a contractor for the performance of cost reimbursement contracts in accordance with the contractor's disclosed accounting practices, the cost principles in Federal Acquisition Regulation (FAR) Part 31 and, when applicable, the Government's Cost Accounting Standards. Reporting entities shall be required to document the valuation methodology when reporting the acquisition cost of property acquired or produced by a contractor at a value that is not supported by the contractor's cost or property records.
- Use the property records required by the FAR as the source data for physical accountability and financial management reporting.
- Ensure that property reports are structured to provide the information needed for compliance with requirements of federal-wide accounting standards.
- Require contractors to enter into their property records the acquisition date and cost of each contractor acquired general property, plant and equipment item that is government property in the contractor's possession (estimated acquisition dates and cost may be used when the actual acquisition date is not known).
- For government furnished property, provide to contractors acquisition dates (or a reasonable estimate thereof when an actual date is not known) to be entered into the property record.
- Require contractors to extract and report data from their property records in a standard format that will permit the calculations of depreciation that will satisfy requirements of federal-wide accounting standards.
- Develop a plan to validate the adequacy of the contractor's property management systems and the accuracy of the data in those systems and work with the contractors to properly implement the plan.

- Concentrate initially on those contractors that possess the largest portions of government property in the hands of contractors.

NOTE: Some of the actions discussed above affect the public. Section 22 of the Office of Federal Procurement Policy Act requires the Department to obtain and analyze public comments prior to implementing the actions. That is a lengthy process which, when coupled with the thousands of contracts that might need to be modified, makes it highly unlikely that all such contracts could be modified prior to September 30, 1999. The Department will investigate the possibility of making blanket modifications to contracts through such vehicles as the Single Process Initiative.

Proposed Milestones and Responsible Officials

1. August 1998 - December 1998: USD(C) and USD(A&T) to develop new contractor reporting format/requirements needed to meet financial statement standards.
2. December 1998 - June 1999: USD(A&T) to take appropriate actions to modify the DFARS to implement new reporting format/requirement.
3. December 1998 - March 1999: USD(A&T) to develop, and share with OMB and auditors, a plan to validate the adequacy of the contractor's property management systems and the accuracy of the data in those systems and work with the contractors to properly implement the plan.
4. March 1999 - September 1999: USD(A&T) to direct the Military Departments and Defense Agencies to work with, as appropriate, the Defense Contract Management Command with support from the Defense Contract Audit Agency, Service auditors, Inspector General auditors, and applicable contractors to validate the adequacy of the contractors' systems and accuracy of the information reported.
5. March 1999 - September 1999: Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate action to ensure that new contracts are written and existing contracts are modified to require contractors to meet new reporting format/requirements. The Department will concentrate on those contracts that possess the largest portions of government property in the hands of contractors.
6. June 1999 - July 1999: Upon request from the OUSD(A&T), OMB provide emergency approval of the Department's paperwork burden analysis and approval to publish the revised DFARS rule within 5 workdays of submission by the DoD.
7. July 1999 - December 1999: Under Secretaries of the Military Departments and Directors of Defense Agencies to ensure that their personnel work with, as appropriate, the Defense

Contract Management Command with support from the Defense Contract Audit Agency. Service auditors, IG auditors, and applicable contractors to validate the adequacy of the contractors' systems and the accuracy of the information to be reported. The Department will concentrate on those contracts that possess the largest portions of government property in the hands of contractors.

8. July 1999 - August 1999: If it is determined that blanket modifications to contracts through the Single Process Initiative are feasible, USD(A&T) to take appropriate actions to ensure that such blanket modifications are written and implemented.
9. October 1999: Contractors to begin reporting required information using the new format. In addition, contractors may be asked to submit a one-time report that provides required data (costs, acquisition dates, useful lives, and related depreciation information) necessary to comply with the new accounting standards for General PP&E.

B.1.
INVENTORY ISSUES
EXISTENCE, COMPLETENESS AND VALUATION OF INVENTORY

Proposed Department of Defense Actions

- The USD(A&T) will direct the Military Departments and the Defense Logistics Agency to evaluate inventory transaction processing (issues and receipts), identify errors, determine the sources and causes of errors, and develop a remedial plan to correct those errors and the need for routine manual adjustments.
- To improve controls over physical inventories the OUSD(A&T) and DoD Components will:
 - Establish procedures for how counts should be organized and performed at depots and installations.
 - Determine the minimum acceptable error rates for physical inventory measurements.
 - Ensure those personnel that perform physical inventory counts do not have physical control over the inventory.
 - Reconcile physical counts to records promptly and correctly. For example, reconciliations of physical counts to records should also include consideration of activity such as inventory receipts and issues that took place during or after the physical count.
 - Utilize an independent office within the entity for which a physical inventory was taken (e.g., internal audit, accountable officer, or quality assurance personnel) to ensure that record adjustments are in compliance with regulations and established business practices for physical inventory and that adjustments exceeding established criteria are researched to identify causes and implement corrections.
- The OUSD(A&T) and DoD Components will establish a physical inventory plan that integrates cycle counts and statistical sampling with the full participation of the OUSD(Comptroller) and the audit community.
 - Design and implement a sampling methodology that will meet both the requirements of federal-wide accounting standards and the Department's requirement to validate the accuracy of property accountability records.
 - Implement procedures and management controls to ensure the physical inventory plan is achieved.
 - Notify auditors of proposed physical inventory methodologies and implementation schedules in advance.

- implement risk-based physical inventory measures that demonstrate a greater concern for sensitive items, high dollar items, and less concern for low dollar, high volume items. Policies will establish the minimum acceptable error rates that should show little to no tolerance for sensitive and high dollar items. The measures should provide confidence that errors are immaterial or that they are being reduced to an acceptable level in the aggregate.
- Conduct a 100 percent physical inventory annually for inventory categorized as Sensitive or Classified by the Controlled Inventory Item Code.
- To improve intransit inventory accounting, the Military Departments and Defense Logistics Agency will improve procedures and monitor their implementation to ensure that receipts and issues are timely and properly posted to appropriate records and that system improvements/ enhancements are made as necessary to improve accountability/visibility over intransit inventory.
- The Department intends to continue the use of formulas to approximate historical/latest acquisition cost for the Department's inventory for inventory that is controlled through systems that do not report inventory at historical costs.
- The Department will continue to refine current formulas in conjunction with the Military Departments and the audit community.
- The Comptroller, audit community and OMB will work towards a consensus on the accounting treatment of inventory gain and loss accounts.
- The OUSD(A&T), OUSD(C), Military Departments, and audit community will work towards a consensus on the logistics and accounting treatment and valuation of depot level repairable inventory; and the revenue reporting practices associated with receipts and issues of repairable items.
- The Department will work with the OMB and the audit community to identify the approximate historical cost for the beginning balance of inventory.

Proposed Milestones and Responsible Officials

1. December 1998: The USD(A&T) will direct the Military Departments and the Defense Logistics Agency to evaluate inventory transaction processing (issues and receipts), identify errors, determine the sources and causes of errors, and develop a remedial plan to correct those errors and the need for routine manual adjustments.
2. December 1998 .September 1999: The DoD Components shall conduct physical inventory counts as prescribed by Chapter 7, DoD 4000.25-2-M (MILSTRAP), and as further directed by the OLSD(A&T). Each DoD Component shall provide advance notice of its physical inventory schedule to its applicable audit organization.

3. December 1998 .September 1999: The Military Departments and Defense Logistics Agency will improve procedures and monitor their implementation to ensure that inventory receipts and issues are timely and properly posted to appropriate records and that visibility over intransit inventory is improved through system improvements and/or enhancements.
4. October 1998 .September 1999: The USD(C), along with the audit community and DFAS, continue to refine inventory valuation formulas and work towards a consensus on the accounting treatment of inventory gain and loss accounts.
5. November 1998 .March 1999: The USD(A&T) and USD(C), along with the Military Departments and audit community, to work towards a consensus on the logistic and accounting treatment and valuation of depot level reparable inventory: and the revenue reporting practices associated with receipts and issues of reparable items.
6. December 1998: The USD(C) and the DFAS to work with the Under Secretaries of the Military Departments, the Director of the Defense Logistics and the audit community to implement acceptable methodology that will approximate historical/latest acquisition cost for the Department's inventory. Acceptable methodology should be developed by June 1999.

C.3.
LIABILITIES ISSUES
POSTRETIREMENT HEALTH CARE LIABILITIES

Proposed Department of Defense Actions

- The Department will revise its procedures to ensure that all data used in calculating the liability are current.
- The Department will take the impact of the TRICARE program into account in estimating the liability and will ensure the information TRICARE providers collect meets DoD Actuary requirements.
- The Department will make all substantive financial statement disclosures required by SFFAS No. 5.
- The Department will work with the General Accounting Office (GAO) and the Inspector General, DoD, to ensure that a sound methodology is used by the DoD Actuary to calculate the FY 1999 liability.
- The Department will document how CHAMPUS weightings were developed and ensure that the CHAMPUS Diagnosis Related Group (DRG) weights are updated annually with the most recent data available.
- The Department will assess the feasibility of using Medical Expense Performance System (MEPRS) cost data for calculating Military Treatment Facility costs. This analysis will investigate whether the liability calculation should be based on the most reliable data, e.g., budgetary data (current methodology) or the cost data from MEPRS. Based on the results of the analysis, the liability calculation will use the most accurate and reliable source for cost information.
- The Department will review its procedures to ensure that reasonably accurate, reliable, timely, and complete data required for estimating the liability is captured and reported. The Department will review its current procedures to standardize business practices, establish and strengthen management controls and develop monitoring and audit procedures for the relevant data systems.
- The Department will conduct a sensitivity analysis to determine the extent to which the liability is sensitive to cost data, demographic data, and economic assumptions. The results will be used to set priorities to develop a better estimate.

Proposed Milestones and Responsible Officials

1. November .December 1998: USD(P&R) to ensure that the Office of the DoD Actuary oversees the collection of complete and current health benefit claims, participant, and other relevant data for use in determining the FY 1998 Military Retirement Health Benefits liability.
2. January .February 1999: USD(P&R) to ensure that the Office of the DoD Actuary takes the impact of TRICARE into account in determining the FY 1998 and subsequent year Military Health Benefits liabilities.
3. January .February 1999: USD(P&R) to ensure that the Office of the DoD Actuary, with assistance from the Defense Finance and Accounting Service, makes all substantive financial statement disclosures beginning with the FY 1998 financial statements.
4. December 1998 .September 1999: USD(P&R) to work with the General Accounting Office (GAO) and the Inspector General, **DoD**, to ensure that a sound methodology is used by the DoD Actuary to calculate the FY 1999 liability.
5. March .April 1999: USD(P&R) to ensure that the Office of the Assistant Secretary of Defense (Health Affairs) documents the development of CHAMPUS weights and ensures that the weights are updated with the most recent data available.
6. December 1998 .September 1999: USD(P&R) to ensure that the Office of the DoD Actuary works with the Office of the Assistant Secretary of Defense (Health Affairs) to complete the assessment of the MEPRS cost data, and that the most reliable (budget or cost) data available is used in determining the FY 1999 liability.
7. December 1998 -September 1999: USD(P&R) to assure the reasonable accuracy, reliability, and completeness of all data collected for use in determining the FY 1999 liability.
8. December 1998 .September 1999: USD(P&R) to ensure that the Office of the DoD Actuary, with assistance from the Office of the Assistant Secretary of Defense (Health Affairs), completes the sensitivity analysis to determine the extent to which the liability is sensitive to cost data, demographic data, and economic assumptions.



UNDER SECRETARY OF DEFENSE

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COMPTROLLER

MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
AND TECHNOLOGY)
PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE
(HEALTH AFFAIRS)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DEPUTY UNDER SECRETARY OF THE NAVY
ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Department of Defense Implementation Strategy for Auditable Financial Statements

On August 5, 1998, the Department provided the Office Management and Budget (OMB) and the General Accounting Office (GAO) copies of the Department's proposed implementation strategies for achieving unqualified opinions on the Department's financial statements. The OMB and GAO provided comments and several of the strategy papers now have been finalized and are attached. I recognize that achievement of the actions required by the attached strategies will require some commitment of resources-- personnel and funds. This office, with your help, has attempted to minimize such resource requirements while our financial and feeder systems are being upgraded. Now, we must implement these strategies. Please review the attached strategy papers and begin implementing the actions for which your organization is responsible.

The OMB has directed each federal agency to provide periodic reports on the status of its actions. To monitor the Department's progress, as well as to meet the OMB reporting requirement, periodic status reports will be required. It is my intention to keep the work load associated with the reporting requirements to a minimum. The specific reporting requirements will be provided separately.

In addition, I plan to use the monthly Financial Management Steering Committee meetings as a forum for monitoring the status of our efforts. I intend to include selected actions on the agenda each month and invite officials responsible for the selected actions to provide progress updates.

My staff point of contact for this matter is Henry Bezold. He may be reached by e-mail: bezoldh@osd.pentagon.mil or by telephone at (703) 614-3523.

Alice C. Maroni
Principal Deputy Under Secretary
of Defense (Comptroller)

Attachment

IMPLEMENTATION STRATEGIES

Strategy Number	TITLE
A.2.	Valuation of General Property, Plant and Equipment
A.6.	Deferred Maintenance
C.1.a.	Environnemental Restoration Liabilities
C.1.b.	Hazardous Waste Liabilities
C.2.	Disposal Liabilities
D.	Funds Balance with Treasury Issue
E.	Intragovernmental Eliminations Issue

A.2.
PROPERTY, PLANT AND EQUIPMENT
VALUATION OF GENERAL PP&E

Department of Defense Actions

- The Department will direct that, unless a DoD Component has a fully operational property accountability system that meets federal-wide accounting standards (to include the capability to capture and maintain historical cost data and calculate depreciation), the DoD Component must expedite the implementation of a property system for its General PP&E assets that meets the requirements of federal-wide accounting standards.

- For General PP&E personal and real property assets acquired prior to FY 1999:

If an asset is fully depreciated, based on its initial acquisition date (or transfer/ recorded date contained in the applicable property or logistics system) and the asset's useful life, the recorded historical or latest acquisition cost in the DoD Component's property or logistics system will be reported with an offsetting amount reported as accumulated depreciation in the financial statements. The Department will not attempt to validate the recorded/reported cost amounts of fully depreciated assets.

- If an asset is not fully depreciated based on the acquisition date (or transfer/recorded date contained in the property or logistics system) and the asset's useful life:
 - The Department will pursue the use of a contractor to assist in developing an approach to determine the carrying value, accumulated depreciation, and net book value. The Department will work with OMB and the audit community in developing the proposed contract statement of work and in determining the valuation approach.
 - The agreed upon approach will avoid the necessity to verify recorded costs of the Department's General PP&E assets against historical supporting documentation.
 - The initial effort will be to determine, by use of an estimation model, the approximate cost of a representative sample set of real and personal property assets for each Military Department and to compare such amounts to the costs recorded within the Military Department's property systems.
 - If the two cost amounts are within an acceptable tolerance range, mutually agreed to by the Department, the OMB, and the audit community, the costs recorded within the Military Department's property systems shall be used for DoD real and personal property assets.

- If the costs recorded within the Military Department's property systems are not within an acceptable tolerance range of the amounts generated by use of the estimation model, the model used for estimating the costs will be employed.
 - The contractual effort will address improvements to assets made subsequent to the initial acquisition.
- Beginning in FY 1999, newly acquired General PP&E assets will be capitalized at acquisition cost and the supporting documentation will be retained in accordance with appropriate regulations.
 - The Department will remind the DoD Components of the need to establish procedures to remove completed contracts from construction-in-progress accounts.
 - The Department will remind the DoD Components of the need to establish procedures to properly identify and report, in accordance with SFFAS No.6, those assets that meet the requirements for capital leases, as described in SFFAS No.6.

Milestones and Responsible Officials

1. September 1998: USD(A&T) to issue a memorandum to the Military Departments and Defense Agencies emphasizing the need for capturing and retaining historical cost data for General PP&E and for ensuring that property records are up-to-date and accurate.
2. October 1998: USD(A&T) and USD(C) to issue a memorandum to the Military Departments and Directors of Defense Agencies directing that, unless a DoD Component has a fully operational property accountability system that meets the requirements of federal-wide accounting standards (to include the capability to capture and maintain historical cost data and calculate depreciation), the DoD Component must expedite the implementation of a property system for its General PP&E assets that meets the requirements of federal-wide accounting standards.
3. September - October 1998: USD(C) to develop a statement of work to obtain contractor support to assist in developing an approach to value the Department's General PP&E assets (real and personal property) and to pursue the placement of a task order to obtain contractor support.
4. October 1998 - September 1999: USD(C), USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies, and contractor (if contract support is economically feasible) to develop an approach to value the Department's General PP&E assets (real and personal property).

5. October 1998 - November 1999: USD(C), Under Secretaries of the Military Departments and Directors of Defense Agencies to work with contractor to value the Department's General PP&E assets (real and personal property). The contractor to report progress and status of this effort on a monthly basis to the USD(C), the Military Departments, the DoDIG and the GAO.
6. October 1998: USD(C) to prepare draft guidance (to be included in the "DoD Financial Management Regulation") requiring that all assets that meet the requirements for capital leases, as described in SFFAS No.6, are properly identified and reported in accordance with SFFAS No. 6.
7. November 1998: USD(C) to forward, to the DoD Components for formal coordination, the above referenced draft guidance (for capital leases) and provide a copy of the proposed guidance to the OMB, the DoDIG and the GAO for review and comment.
8. December 1998: USD(C) to publish (incorporate) the above referenced guidance (for capital leases) into the "DoD Financial Management Regulation."
9. January 1999: USD(C) to request the USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly report capital lease amounts and construction-in-progress accounts.
10. February 1999: USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans.
11. September 1998 - December 1999: USD(A&T) to review and modify, if appropriate, DoD Component procedures to remove completed contracts from construction-in-progress accounts.
12. January 1999 - September 1999: The Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress, on specific plans, to USD(C) and USD(A&T) on a periodic basis.

Note: Separately, the Department will address the \$100,000 capitalilation threshold with the OMB, the GAO and DoDIG.

A.6.
PROPERTY, PLANT AND EQUIPMENT
DEFERRED MAINTENANCE

Department of Defense Actions

- The Department will develop implementing guidance for reporting deferred maintenance amounts.
- The Department proposes to include in its financial statements the following deferred maintenance amounts that are developed as part of the Department's budget process:
 - Deferred maintenance amounts reported by the DoD Components in the budget process for General PP&E real property, and
 - Depot-level deferred maintenance amounts reported by the DoD Components in the budget process for National Defense PP&E assets.
- The Department recognizes that there may be opportunities to improve upon the accuracy of amounts reflected in the budget for deferred maintenance on real property and will work to modify the existing budget guidance as appropriate, and, if necessary, to improve the reliability and accuracy of the amounts reported. Additionally, the Department will review the desirability, feasibility, and benefit of expanding the categories of National Defense PP&E assets included in the deferred maintenance reporting.

Milestones and Responsible Officials

1. October 1998 - April 1999: USD(C), in conjunction with the USD(A&T), to review and, as appropriate, modify budget guidance for deferred maintenance on real property, as well as implementation guidance regarding the reporting, for financial statement purposes of deferred maintenance amounts.
2. May 1999: USD(C) to forward to the DoD Components for formal coordination the above referenced draft guidance and provide a copy of the proposed guidance to the OMB, the DoDIG, and the GAO for review and comment.
3. June 1999: USD(C) to publish revised budget guidance that includes requirements for deferred maintenance on real property and implementation guidance regarding the reporting, for financial statements purposes of deferred maintenance amounts.
4. July 1999: USD(C) to request the USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken that will enable the DoD Components to report deferred maintenance amounts.

5. August 1999: USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to provide the USD(C) the above referenced plans.
6. August 1999 - September 1999: USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to report progress on specific plans to the USD(C) on a periodic basis.

A.6.
PROPERTY, PLANT AND EQUIPMENT
DEFERRED MAINTENANCE

Department of Defense Actions

- The Department will develop implementing guidance for reporting deferred maintenance amounts.
- The Department proposes to include in its financial statements the following deferred maintenance amounts that are developed as part of the Department's budget process:
 - Deferred maintenance amounts reported by the DoD Components in the budget process for General PP&E real property, and
 - Depot-level deferred maintenance amounts reported by the DoD Components in the budget process for National Defense PP&E assets.
- The Department recognizes that there may be opportunities to improve upon the accuracy of amounts reflected in the budget for deferred maintenance on real property and will work to modify the existing budget guidance as appropriate, and, if necessary, to improve the reliability and accuracy of the amounts reported. Additionally, the Department will review the desirability, feasibility, and benefit of expanding the categories of National Defense PP&E assets included in the deferred maintenance reporting.

Milestones and Responsible Officials

1. October 1998 - April 1999: USD(C), in conjunction with the USD(A&T), to review and, as appropriate, modify budget guidance for deferred maintenance on real property, as well as implementation guidance regarding the reporting, for financial statement purposes of deferred maintenance amounts.
2. May 1999: USD(C) to forward to the DoD Components for formal coordination the above referenced draft guidance and provide a copy of the proposed guidance to the OMB, the DoDIG, and the GAO for review and comment.
3. June 1999: USD(C) to publish revised budget guidance that includes requirements for deferred maintenance on real property and implementation guidance regarding the reporting, for financial statements purposes of deferred maintenance amounts.
4. July 1999: USD(C) to request the USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken that will enable the DoD Components to report deferred maintenance amounts.

5. August 1999: USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to provide the USD(C) the above referenced plans.
6. August 1999 - September 1999: USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to report progress on specific plans to the USD(C) on a periodic basis.

C.1.a.
LIABILITY ISSUES
ENVIRONMENTAL RESTORATION LIABILITIES

Department of Defense Actions

The Department will issue policy and procedures to estimate the expected environmental restoration costs for contaminated sites (for example, the Defense Environmental Restoration Program sites, Base Realignment and Closure Account sites, formerly used defense sites, training ranges, and operating sites), even though such costs may not be incurred until many years into the future.

- The Office of the Deputy Under Secretary of Defense (Environmental Security) (ODUSD(ES)) will expand its management guidance on estimating restoration costs for the Defense Environmental Restoration Program.
- The Department will direct the Military Departments to ensure that required oversight of the cost estimating process is provided by applicable organizations.
- The Department will revise the “DoD Financial Management Regulation” to incorporate specific guidance that more clearly identifies the requirement for managers, at all levels, to measure and, when appropriate, recognize estimated environmental restoration liabilities.

Milestones and Responsible Officials

1. September 1998: USD(C), in conjunction with the USD(A&T), to prepare draft environmental restoration liability measurement and reporting guidance to be included in the “DoD Financial Management Regulation.”
2. October 1998: USD(C) to forward to the DoD Components for formal coordination the above referenced draft environmental restoration liability measurement and reporting guidance and provide a copy of the proposed guidance to the OMB, the DoDIG, and the GAO for review and comment.
3. November 1998: USD(C) to incorporate the above referenced environmental restoration liability measurement and reporting guidance into the “DoD Financial Management Regulation.”
4. August/September 1999: DUSD(ES) to revise Section G of the document, “Management Guidance for the Defense Environmental Restoration Program” for the next edition.

5. October 1998: USD(C) to request the Military Departments and Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report environmental restoration liability amounts.
6. November 1998: USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans.
7. January 1999 - September 1999: The Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress on specific plans to the USD(C) on a periodic basis.

C.1.b.
LIABILITY ISSUES
HAZARDOUS WASTE LIABILITIES

Department of Defense Actions

- The Department will prepare and issue policy and procedures on how and when to estimate expected hazardous waste removal and disposal costs for ammunition, chemical weapons, excess and obsolete structures, and major weapons systems.
- The Department will request the Military Departments and Directors of the Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report hazardous waste liability amounts.

Milestone and Responsible Official

1. September 1998: USD(C), in conjunction with the USD(A&T), to prepare draft hazardous waste liability measurement and reporting guidance to be included in the "DoD Financial Management Regulation."
2. October 1998: USD(C) to forward, to the DoD Components for formal coordination, the above referenced draft hazardous waste liability measurement and reporting guidance and provide a copy of the proposed guidance to the OMB, the DoDIG, and the GAO for review and comment.
3. November 1998: USD(C) to incorporate the above referenced hazardous waste liability measurement and reporting guidance into the "DoD Financial Management Regulation."
4. December 1998: USD(C) to request the Military Departments and the Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report hazardous waste liability amounts.
5. January 1999: USD(A&T), Under Secretaries of the Military Departments, and Directors of Defense Agencies to provide the USD(C) the above referenced plans.
6. January 1999. September 1999: The Under Secretaries of the Military Departments and Directors of the Defense Agencies to report progress on specific plans to the USD(C) on a periodic basis.

C.2
LIABILITY ISSUES
DISPOSAL LIABILITIES

Department of Defense Actions

- The Department will prepare and issue policy and procedures on how and when to estimate expected disposal costs for excess and obsolete structures scheduled for disposition and for National Defense PP&E.
- The Department will request the Military Departments and Directors of the Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report disposal liability amounts.

Milestone and Responsible Official

1. September 1998: USD(C), in conjunction with the USD(A&T), to prepare draft disposal liability measurement and reporting guidance to be included in the “DoD Financial Management Regulation.”
2. October 1998: USD(C) to forward to the DoD Components for formal coordination the above referenced draft disposal liability measurement and reporting guidance and provide a copy of the proposed guidance to the OMB, the DoDIG, and the GAO for review and comment.
3. November 1998: USD(C) to incorporate the disposal liability measurement and reporting guidance into the “DoD Financial Management Regulation.”
4. December 1998: USD(C) to request the Military Departments and the Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report disposal liability amounts.
5. January 1999: USD(A&T), Under Secretaries of the Military Departments, and the Directors of Defense Agencies to provide the USD(C) the above referenced plans.
6. January 1999 - September 1999: The Under Secretaries of the Military Departments and the Directors of Defense Agencies to report progress on specific plans to the USD(C) on a periodic basis.

C.2
LIABILITY ISSUES
DISPOSAL LIABILITIES

Department of Defense Actions

- The Department will prepare and issue policy and procedures on how and when to estimate expected disposal costs for excess and obsolete structures scheduled for disposition and for National Defense PP&E.
- The Department will request the Military Departments and Directors of the Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report disposal liability amounts.

Milestone and Responsible Official

1. September 1998: USD(C), in conjunction with the USD(A&T), to prepare draft disposal liability measurement and reporting guidance to be included in the “DoD Financial Management Regulation.”
2. October 1998: USD(C) to forward to the DoD Components for formal coordination the above referenced draft disposal liability measurement and reporting guidance and provide a copy of the proposed guidance to the OMB, the DoDIG, and the GAO for review and comment.
3. November 1998: USD(C) to incorporate the disposal liability measurement and reporting guidance into the “DoD Financial Management Regulation.”
4. December 1998: USD(C) to request the Military Departments and the Directors of Defense Agencies to provide the USD(C) specific plans that identify specific tasks, with expected completion dates, to be taken to ensure that the DoD Components properly estimate and report disposal liability amounts.
5. January 1999: USD(A&T), Under Secretaries of the Military Departments, and the Directors of Defense Agencies to provide the USD(C) the above referenced plans.
6. January 1999 - September 1999: The Under Secretaries of the Military Departments and the Directors of Defense Agencies to report progress on specific plans to the USD(C) on a periodic basis.

Department of Defense Actions

- The Department will discontinue reporting in its financial statements the cash balances reported by the Treasury and, instead report the fund balance shown in the Department's "Fund Balance With Treasury" general ledger account at the appropriation level, as may be adjusted for appropriate changes.
- The DFAS will reconcile monthly the Department's "Fund Balance With Treasury" general ledger account at the appropriation level with Treasury. When the account balances at the Treasury do not agree with the account balances in the Department's "Fund Balance With Treasury" general ledger account at the appropriation level, maintained by the DFAS Centers, these differences will be researched. (Normally, such differences are the result of intransit disbursements, collections, and funding adjustments reported to Treasury by other agencies but not yet reported to the DFAS Centers.) The DFAS Centers will adjust, as appropriate, the departmental maintained balances to capture any previously unrecorded amounts and work with the Treasury to resolve unreconciled differences.
- The Department will disclose in its financial statements the differences between Fund Balance with Treasury in its departmental "Fund Balance With Treasury" general ledger account at the appropriation level and the balance in Treasury's accounts and explain the causes of the differences in footnotes to the financial statements.
- The Department will direct disbursing officers to comply with existing policy guidance and prepare a monthly transaction-level reconciliation between disbursement and collection activity reported to Treasury via the DFAS Centers. The Department will require each disbursing station to institute controls over the reconciliation process.
- The DFAS will reconcile the balances in budget clearing accounts (F 3875, F 3878, F 3879, F 3880, F 3885, and F 3886) at Treasury with transaction-level detail maintained for each Military Service. The DFAS, where feasible, will develop an aging of transactions held in budget clearing accounts supported by transaction-level detail.
- The DFAS will reconcile the balances in suspense accounts (X 6875) at Treasury which were established to temporarily hold general, special, or tmst collections and disbursements pending clearance to the applicable receipt or expenditure account with transaction-level suspense files maintained for each Military Service. The DFAS, where feasible, will develop an aging of transactions held in suspense accounts supported by transaction-level detail. Specified suspense accounts have been designated by Treasury to hold transactions presumed to be applicable to the budget.
- The DFAS will document, and update as needed, procedures used to reconcile the Department's fund balance records with those of the Treasury. The documentation will include flow charts depicting the transaction flows and the major steps in the reconciliation process.

2. September 30, 1998, and September 30, 1999: The Department to disclose in its financial statements differences between the “Fund Balance With Treasury” in the Department’s appropriation general ledger accounts and the balance in Treasury’s accounts.
3. October 1998: The Director, Defense Finance and Accounting Service, to direct that the DFAS Centers reconcile monthly the Department’s “Fund Balance With Treasury” general ledger account at the appropriation level with the balance reported by Treasury. Further, the Director, Defense Finance and Accounting Service, to direct that when the account balances at the Treasury do not agree with the account balances in the Department’s “Fund Balance With Treasury” general ledger account at the appropriation level, as maintained by the DFAS Centers, these differences are to be researched and resolved.
4. October 1998: The Director, Defense Finance and Accounting Service, to direct that disbursing officers comply with existing policy guidance and prepare a monthly transaction-level reconciliation between disbursement and collection activity reported to Treasury via the DFAS Centers.
5. December 1998: The Director, Defense Finance and Accounting Service, to document the procedures used to reconcile the Department’s fund balance records with those of the Treasury.
6. December 1998: The Directors of the Defense Finance and Accounting Service Centers to reconcile the balances in budget clearing accounts (F 3875, F 3878, F 3879, F 3880, F 3885, and F 3886) at Treasury with transaction-level detail maintained for each Military Service.
7. December 1998: The Directors of the Defense Finance and Accounting Service Centers, where feasible, to develop an aging of transactions held in budget clearing accounts supported by transaction-level detail.
8. December 1998: The Directors of the Defense Finance and Accounting Service Centers to reconcile the balances in suspense accounts (X 6875) at Treasury with transaction-level detail maintained for each Military Service.
9. December 1998: The Directors of the Defense Finance and Accounting Service Centers, where feasible, to develop an aging of transactions held in budget clearing accounts supported by transaction-level detail.

5. March 1999: Based on the results of the Military Departments and Defense Agencies analysis of their seller-side interagency transactions, the Director, Defense Finance and Accounting Service, the Assistant Secretaries (FM&C) of the Military Departments, and the Comptrollers of the Defense Agencies to develop and begin implementing, specific action plans to better ensure that eliminating entries accurately are identified and reported in the Department's financial statements.

Note: (1) The actions listed above are short-term actions. As part of the Department's longer-term efforts to improve its financial processes and systems, the Department will continue to work to better identify both the buying and selling parties of each intra-governmental transaction at the transactions level and use this information to: (1) generate eliminating entries and/or (2) conduct required reconciliations.

(2) USD(C) to provide individuals to serve as the Department's representatives on applicable Government-wide teams established to develop: (1) standard guidance concerning the reporting and reconciliation of interagency elimination transactions, (2) specific guidance concerning the identification of elimination amounts in the Federal Agencies' Centralized Trial-Balance Systems, (3) reasonable materiality thresholds for the reporting and validation of interagency elimination transactions, or (4) other applicable government-wide efforts.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS

MILESTONE PLAN

MIL DEP/
DEF AGN

Strategy	Mile-stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
A.1.	0		General Property, Plant and Equipment Existence & Completeness (Excludes Property in the Hands of Contractors)		Lt. Green					
A.1.	6		Under Secretaries of the Military Departments and Directors of Defense Agencies to ensure that periodic and fiscal year-end reconciliations between subsidiary installation and headquarters and centralized data bases are conducted periodically and at year-end.	Military Departments, Defense Agencies	Lt. Green	Nov-98	Sep-99			
A.1.	7		Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate actions to ensure that procedures are in place to remove the costs of completed PP&E from construct on4n-progress accounts, and that such PP&E costs are capitalized and depreciated, as appropriate.	Military Departments, Defense Agencies	Lt. Green	Nov-98	Jan-99			
A.1.	8		Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate actions to ensure that all PP&E that meets the criteria for capital leases, as described in SFFAS No. 6, properly are recorded and reported.	Military Departments, Defense Agencies	Lt. Green	Nov-98	Jan-99			

Status Color Code: Lt Green-On Schedule. Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date.
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS

MILESTONE PLAN

**MIL DEP/
DEF AGN**

Strategy	Mile-stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
A.1.	9		Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate actions to ensure the accuracy of data in their property accountability systems.	Military Departments, Defense Agencies	Lt. Green	Nov-98	Sep-99			

Status Color Code: Lt Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

MIL DEP/
DEF AGN

Strategy	Mile-stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
A.2.	0		Valuation of General Property, Plant and Equipment		Lt. Green					
A.2.	4		USD(C), USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies, and contractor (if economically feasible) to develop an approach to value the Department's General PP&E assets (real and personal property).	USD(C), - USD(A&T), Military Departments Defense Agencies	Lt. Green	Oct-98	Sep-99			
A.2.			USD(C), Under Secretaries of the Military Departments and Directors of Defense Agencies to work with contractor to value the Departments General PP&E assets (real and personal property) The contractor to report progress and status of this effort on a monthly basis to the USD(C) the Military Departments, the DoDIG and the GAO.	USD(C), USD(A&T), Military Departments Defense Agencies	Lt. Green	Oct-98	Nov-99			
A.2.	10		USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans	USD(A&T), Military Departments, Defense Agencies	Lt. Green	Feb-99	Feb-99			
A.2.	12		The Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress, on specific plans, to USD(C) and USD(A&T) on a periodic basis.	Military Departments, Defense Agencies	Lt. Green	Jan-99	Sep-99			

Status Color Code: Lt Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

MIL DEP/
DEF AGN

Strategy	Mile- stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
A.3.	0		PP&E Government Property in the Hands of Contractors		Lt. Green					
A.3.	5		Under Secretaries of the Military Departments and Directors of Defense Agencies to take appropriate action to ensure that new contracts are written and existing contracts are modified to require contractors to meet new reporting format/requirements The Department will concentrate on those contracts that possess the largest portions of government property in the hands of contractors.	Military Departments, Defense Agencies	Lt. Green	Mar-99	Sep-99			
A.3.	7		Under Secretaries of the Military Departments and Directors of Defense Agencies to ensure that their personnel work with, as appropriate, the Defense Contract Management Command with support from the Defense Contract Audit Agency Service auditors IG auditors and applicable contractors to validate the adequacy of the contractors systems and the accuracy of the information to be reported The Department will concentrate on those contracts that possess the largest portions of government property in the hands of contractors.	Military Departments, Defense Agencies	Lt. Green	Jul-99	Dec-99			

Status Color Code: Lt. Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

MIL DEP/
DEF AGN

Strategy	Mile-stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
A.6.	0		Deferred Maintenance		Lt. Green					
A.6.	5		USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans.	USD(A&T), Military Departments Defense Agencies	Lt. Green	Aug-99	Aug-99			
A.6.	6		USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress, on specific plans, to the USD(C) on a periodic basis.	USD(A&T), Military Departments, Defense Agencies	Lt. Green	Aug-99	Sep-99			

Status Color Code: Lt Green-On Schedule, Drk. Green Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

**MIL DEP/
DEF AGN**

Strategy	Mile- stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
B.1.	0		Inventory Issues — Existence, Completeness and Valuation of Inventory		Lt. Green					
B.1.	2		The DoD Components shall conduct physical inventory counts as prescribed by Chapter 7, DoD 4000. 25-2-M (MILSTRAP), and as further directed by the OUSD(A&T) Each DoD Component shall provide advance notice of its physical inventory schedule to its applicable audit organization. The Military Departments and Defense	DoD Components	Lt. Green	Dec-98	Sep-99			
B.1.	3		Logistics Agency will improve procedures and monitor their implementation to ensure that inventory receipts and issues are timely and properly posted to appropriate records and that visibility over intransit inventory is improved through system improvements and/or enhancements.	Military Departments, Defense Logistics Agency	Lt. Green	Dec-98	Sep-99			
B.1.	5		The USD(A&T) and USD(C), along with the Military Departments and audit community, to work towards a consensus on the logistic and accounting treatment and valuation of depot level reparable inventory and the revenue reporting practices associated with receipts and issues of reparable items.	USD(C), USD(A&T), Military Departments Audit Community	Lt. Green	Nov-98	Mar-99			

Status Color Code: Lt. Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS
MILESTONE PLAN
MIL DEP/
DEFAGN

Strategy	Mile-stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
C.1.a	0		Environmental Restoration Liabilities		Lt. Green					
C.1.a	6		USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans.	USD(A&T), Military Departments, Defense Agencies	Lt. Green	Nov-98	Nov-98			
C.1.a	7		The Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress, on specific plans, to the USO(C) on a periodic basis	Military Departments, Defense Agencies	Lt. Green	Jan-99	Sep-99			

Status Color Code: Lt. Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

MIL DEP/
DEF AGN

Strategy	Mile- stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
C.1.b.	0		Hazardous Waste Liabilities		Lt. Green					
C.1.b.	5		USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans.	USD(A&T), Military Departments, Defense Agencies	Lt. Green	Jan-99	Jan-99			
C.1.b.	6		The Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress, on specific plans, to the USD(C) on a periodic basis.	Military Departments, Defense Agencies	Lt. Green	Jan-99	Sep-99			

Status Color Code: Lt. Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

**MIL DEP/
DEF AGN**

Strategy	Mile-stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
C.2.	0		Disposal Liabilities		Lt. Green					
C.2.	5		USD(A&T), Under Secretaries of the Military Departments and Directors of Defense Agencies to provide the USD(C) the above referenced plans.	USD(A&T), Military Departments, Defense Agencies	Lt. Green	Jan-99	Jan-99			
C.2.	6		The Under Secretaries of the Military Departments and Directors of Defense Agencies to report progress, on specific plans, to the USD(C) on a periodic basis.	Military Departments, Defense Agencies	Lt. Green	Jan-99	Sep-99			

Status Color Code: Lt Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

DOD IMPLEMENTATION STRATEGIES FOR AUDITABLE FINANCIAL STATEMENTS MILESTONE PLAN

MIL DEP/
DEF AGN

Strategy	Mile- stone	Task	Description	Responsible Official	Status	Milestone Start Date	Milestone End Date	Expected/ Actual Start Date	Expected Completion Date	Actual Completion Date
E.	0		Intragovernmental Eliminations Issue		Lt. Green					
E.	5		Based on the results of the Military Departments and Defense Agencies analysis of their seller-side interagency transactions, the Director, Defense Finance and Accounting Service, the Assistant Secretaries (FM&C) of the Military Departments and the Comptrollers of the Defense Agencies to develop and begin implementing specific action plans to better ensure that eliminating entries accurately are identified and reported in the Department's financial statements.	DFAS, Military Departments , Defense Agencies	Lt. Green	Mar-99	Mar-99			

Status Color Code: Lt. Green-On Schedule, Drk. Green-Completed,
Yellow-Up to 60 days behind Milestone End Date,
Red-More than 60 days behind Milestone End Date or will not complete
until after Sep 99.

APPROVED IMPLEMENTATION STRATEGIES MILESTONES

FOR WHICH TASK LEVEL IMPLEMENTATION PLANS ARE REQUIRED

<u>Strategy Number</u>	<u>Milestone Number</u>	<u>Responsible Official</u>	<u>Task Level Implementation Plan Due Date</u>
A.1. General Property, Plant and Equipment Existence & Completeness (Excludes Property in the Hands of Contractors)			
	6	Under Secretary of the Navy	
	7	Under Secretary of the Navy	
	8	Under Secretary of the Navy	
	9	Under Secretary of the Navy	
A.2. Valuation of General Property, Plant and Equipment			
	4	Under Secretary of the Navy	
	5	Under Secretary of the Navy	
	12	Under Secretary of the Navy	
A.3. Property, Plant and Equipment: Government Property in the Hands of Contractors			
	5	Under Secretary of the Navy	
	7	Under Secretary of the Navy	
B.1. Inventory Issues: Existence, Completeness and Valuation of Inventory			
	2	Under Secretary of the Navy	
	3	Under Secretary of the Navy	
	5	Under Secretary of the Navy	
C.1.a Environmental Restoration Liabilities			
	7	Under Secretary of the Navy	
C.1.b. Hazardous Waste Liabilities			
	6	Under Secretary of the Navy	
C2. Disposal Liabilities			
	6	Under Secretary of the Navy	

**TASK LEVEL IMPLEMENTATION ACTION PLAN
DATA SHEET**

1. Strategy Name: _____
2. Strategy Number: _____
3. Milestone Number: _____
4. Responsible Official: _____
5. Task Number: _____
6. Task Title: _____
7. Task Product: _____

8. Task Start Date: _____
9. Task Completion Date: _____
10. Task Status: _____

INSTRUCTIONS FOR UPDATING MILESTONE PLAN

1. Periodic reporting is to be prepared using the electronic template provided by the OUSD(C).

- The electronic template is in Microsoft Excel 97 format.
- The milestone data fields are protected and may not be altered.
- Detailed task data should be inserted into the excel spreadsheet by:
 - Inserting a “row” and entering a task letter designation, and a task description for each task.
 - Filling in status codes and applicable dates.
 - The status codes are as follows:
Dark Green: Completed
Light Green: On Schedule
Yellow: Up to 60 days behind Milestone End Date
Red: More than 60 days behind Milestone End Date, or will not complete until after Sep 99.
 - The overall status for each strategy will carry the status code of the lowest supporting task. For example, Strategy A.1. (General Property, Plant and Equipment Existence & Completeness (Excludes Property in the Hands of Contractors)) contains 9 distinct milestones. If 8 of the milestones are complete or on schedule, and the 9th milestone is behind schedule by 45 days, then the overall status for Strategy A1. is Yellow. This same methodology applies equally to task levels within each milestone.

2. Submit completed electronic files via email to:

POC: Chuck Crichley at email address: crichlec@osd.pentagon.mil

3. Reports also may be submitted on a diskette and hand delivered or mailed to:

Office of the Under Secretary of Defense (Comptroller)
Accounting Policy Directorate, Pentagon, Room 3A882
Washington, DC 20301

4. Should any clarification or assistance be required in updating the implementation plan, contact Mr. Chuck Crichley of the OUSD(C). He may be reached at (703) 693-6505.